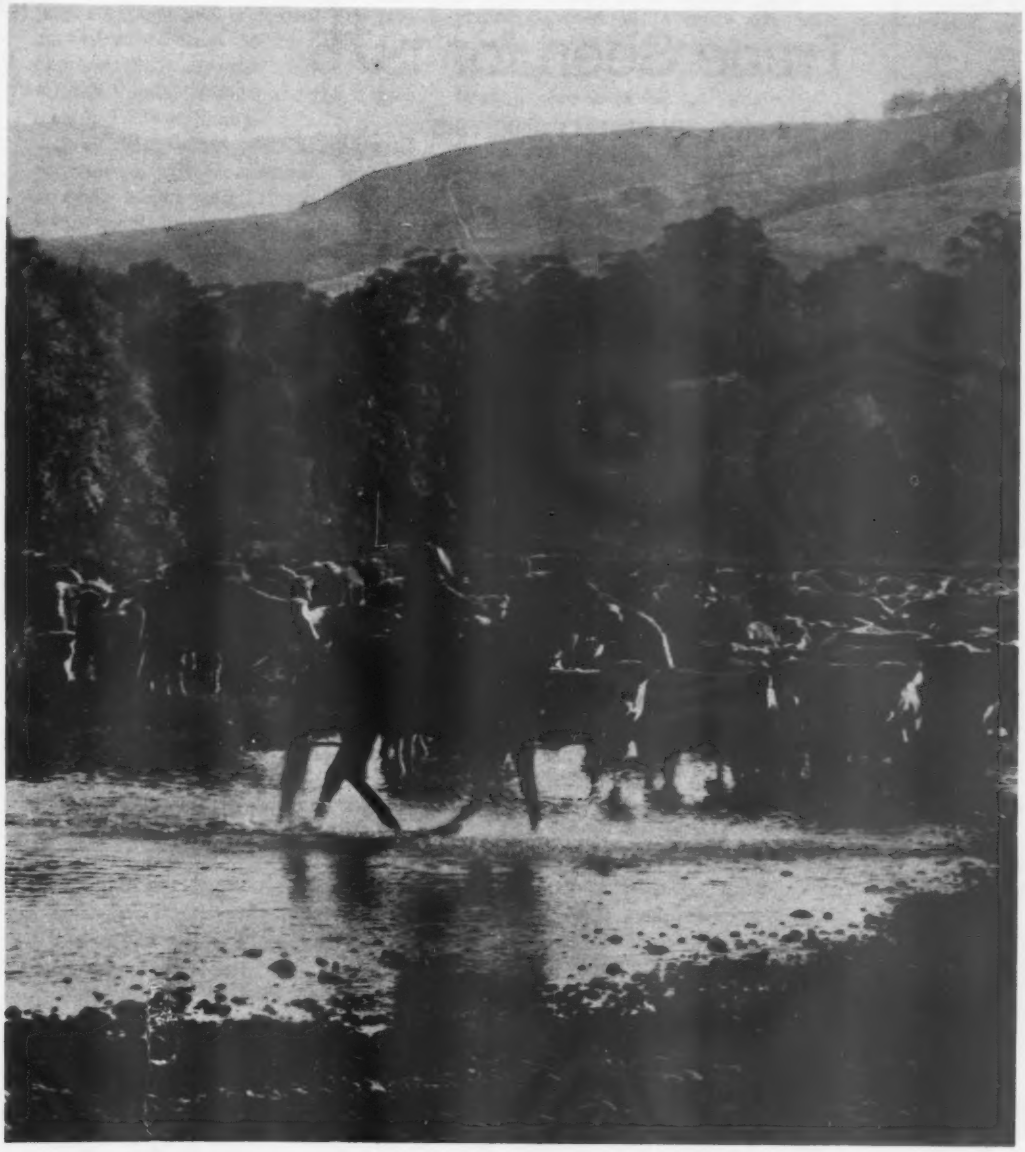
FOREIGN AGRICULTURE

February 2, 1976



Cattle drive, Australia

World Meat Trade Rebound Seen

East Europe's Imports

Foreign Agricultural Service
U. S. DEPARTMENT OF AGRICULTURE

FOREIGN AGRICULTURE

Vol. XIV • No. 5 • February 2, 1976

In this issue:

2 Rebound in World Meat Trade Seen for 1976

5 Venezuela To Continue as Grain Importer in Future

6 Rising Energy Costs Imperil East Europe's Import Growth
By Thomas A. Vankai

8 Canada Foresees 25 Percent Dip in Farm Income in 1976
By Carol E. Bray

12 Crops and Markets

This week's cover:

Australian Herefords are driven to the low country from their summer pastures on the high plains of the Victorian plateau. Australia's herds will continue to expand in 1976, according to an article on this page.

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The Secretary of Agriculture has determined that publication of this periodical is necessary in the transaction of public business required by law of this Department. Use of funds for printing *Foreign Agriculture* has been approved by the Director, Office of Management and Budget through June 30, 1979. Yearly subscription rate: $34.35 domestic, $42.95 foreign; single copies 70 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. **Contents of this magazine may be reprinted freely. Use of commercial and trade names does not imply approval or constitute endorsement by USDA or Foreign Agricultural Service.**

If barriers ease . . .

Rebound in World Meat Trade Seen for 1976

By FOREIGN COMMODITY ANALYSIS
Dairy, Livestock, and Poultry
Foreign Agricultural Service

WORLD MEAT TRADE—principally in beef and veal—promises to increase in 1976, following 2 chaotic years of soaring production in exporting countries combined with the imposition of protective trade barriers by importing countries.

The slightly brighter 1976 export outlook stems mainly from prospects for cutbacks in domestic beef production in major import markets such as Japan and the European Community, which are expected to result in a reduction of their import barriers. Should trade restrictions ease, the lower supplies, in concert with recovering consumer demand for beef, could propel global beef and veal exports in 1976 to a projected 2.43 million tons—some 14 percent over 1975's depressed volume. This would, however, still be below the record 2.6 million tons shipped in 1973.

A trade recovery this year would be a welcome relief to cattlemen in the top beef-exporting countries, since no halt to the uptrend in either cattle numbers or slaughter there appears likely. In the major beef-exporting countries of Australia, New Zealand, Central America, Argentina, and Uruguay, beef and veal output is expected to increase by about 6 percent in 1976 to a new record of 6.5 million tons. Most of the gains are expected in Argentina and Australia, where cattle herds have continued to grow in spite of restricted access to export markets. In 1975, much of the beef and veal output in these countries was absorbed by a higher level of domestic consumption.

At least two top beef-importing countries, which have tended to boost production during the past 2 years, seem headed for sizable output slowdowns this year. In Japan, a 20 percent reduction in beef and veal production is in view for 1976, owing to heavy slaughter of dairy calves in last-half 1974 and an ensuing shortage of fattened cows and steers for slaughter. EC beef and veal production could decline by about 4 percent, as cattle fatteners restock their herds to take advantage of strong cattle prices.

These beef production downturns are likely to result in a further easing of import restrictions in both of these important importing areas—at least if consumption is to hold at last year's levels. To keep consumption at 1975 levels, EC beef imports this year will need to be about 250,000 tons, carcass weight, compared with 200,000 in 1975. Japan will have to import about 180,000 tons, against 75,000 in 1975, to maintain its consumption gains.

For all meats, including poultry, the production outlook in top meat-importing countries is for slightly larger supplies this year. In the key commercial markets of Japan, the United States, the European Community, and Canada, meat output is expected to total about 45 million tons—3 percent over that of 1975 and 2 percent above the 1974 record. Most of the increase is expected to come from expanded poultry production, with a slight rise in pork production offsetting the slightly smaller supplies of beef.

A further variable may make itself felt in the world meat trade equation this year. Conjecture is high that the Soviet Union may enter world markets to buy meat to remedy domestic supply shortages. Beef and veal purchases, current estimates suggest, could run as high as 300,000 tons, with imports most likely in the spring and summer.

And the world's largest meat importer —the United States—will continue to hold the No. 1 position, in spite of voluntary export restraint agreements now being negotiated with main U.S. overseas suppliers. These arrangements are aimed at insuring that 1976 imports subject to the U.S. Meat Import Law (P.L. 88-482) will fall below the trigger level for quota imposition under the Law.

Enacted in August 1964, the U.S. Meat Import Law calls for import quotas to be imposed if estimated yearly imports of certain meats—primarily frozen beef—equal or exceed 110 percent of an adjusted base quantity. The adjusted base quantity for 1976 is 1,120.9 million pounds, and the trigger level is 1,233 million pounds.

According to the U.S. Secretary of Agriculture, U.S. meat imports in 1976 probably would exceed this trigger level were it not for the expected arrangements with supplying countries. Under the Law, import prospects will be reviewed quarterly, with the next estimate to be made late in March and announced on or before April 1.

The meat production and supply situation in main importing countries is as follows:

United States. In contrast to other importing countries, beef and veal production in the United States is expected to expand by about 2 percent this year, pushed up by increases in slaughter numbers, as well as gains in average slaughter weights.

Record U.S. slaughter of nonfed steers, heifers, and cows last year may have reduced U.S. cattle numbers at the beginning of 1976 by 1-3 percent below 1975's beginning numbers. Slaughter of these animals may turn down in the first half of 1976, however, as demand builds for heavier weight cattle to be placed on feed. As a result, fed beef supplies should begin to increase slowly in the first quarter of 1976, followed by larger increases in the spring.

An improvement in cattle prices seems assured this year—utility cow prices are expected to average about 30 percent higher in 1976 than in 1975 and feeder cattle about 25 percent higher—although a return to a positive profit position for cow-calf operators is not expected for some time. Much will depend on range conditions, feed prices, and prospects for the new feedgrain crop. These factors will influence both the kind and amount of cattle slaughtered from midyear on.

The supply outlook for competitive meats—pork and poultry—is mixed. Even though hog producers are now beginning to respond to high prices and favorable feeding margins, production through early 1976 is expected to continue well below depressed 1975 levels. A 7 percent increase in the December-February pig crop was indicated in USDA's December 22 hogs and pigs inventory report. This, however, will not cause pork production to increase until late summer.

A return to profitability in the U.S. poultry industry is expected to increase 1976 production by 10 percent. Poultry supplies are seasonally largest during the last half of the year.

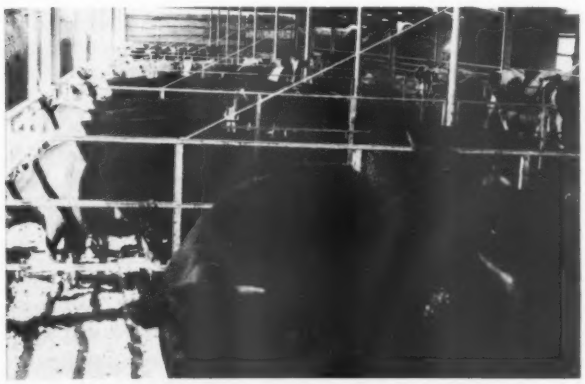
European Community. EC cattle numbers on January 1, 1976, are expected to total 77.4 million head—down about 2-3 percent from early 1975 levels. The reduction in numbers is due to increased cattle slaughter (especially of cows) and sharply lower live cattle imports during 1975.

The largest reductions in cattle numbers are expected in the United Kingdom, down 5 percent; Ireland, down 10 percent; and Italy, down about 6 percent. Other member countries are expected to show little change in cattle numbers, with France showing a possible 1 percent increase. This is because the other EC countries paid slaughter premiums for prime cattle in 1975, whereas France paid premiums to producers to maintain cow herds.

The European Community was expected to begin 1976 with beef stocks of about 400,000 tons, bone-in basis—about the same as in 1975. Of this, about 250,000 tons, actual weight basis, are in intervention stocks and about 100,000 tons in private storage.

Record high cattle prices and lower beginning numbers are expected to encourage producers to withhold breeding stock in 1976 to increase inventories. As a consequence, beef and veal production is expected to decline to 6.3 million tons or 250,000 tons below 1975's output.

EC pork production in the first half



Feeder cattle in Japan, left, where a sizable reduction in beef output is expected in 1976. Beef lot feeding is being deemphasized in Australia, below left, but slaughter will rise there in 1976. Beef carcasses are graded in a U.S. slaughterhouse, below. U.S. beef production is projected to rise this year.

of 1976 is expected to be down slightly from the same period of 1975. Record producer prices and favorable feeding margins in late 1975 are expected to influence second-half outputs and will likely bring production for the year at least to 1975 levels and perhaps up by 2 percent.

EC poultry meat production is expected to increase to 3.2 million tons—up about 3 percent from the 1975 level. Broiler production is estimated at 2.2 million tons compared to 2.1 million in 1975.

Turkey meat production is forecast to expand about 6 percent to 371,000 tons compared with 351,000 in 1975. As in the pork sector, an easing in the cost-price squeeze and optimism in feed-price ratios are expected to cause producers to expand operations.

Japan. While Japan's cattle herd is relatively small and per capita consumption of beef low, Japan is important internationally because of the large quantity of beef it imports, which accounts for a large part of domestic consumption.

A sharp rise in slaughter of dairy calves in the second half of 1974 and in 1975 is resulting in fewer dairy steers available for slaughter in late 1975 and 1976. As a result, beef and veal production is forecast to fall from 1975's 330,000 tons to just 260,000 tons in 1976. Any production above this level will decimate the dairy and beef breeding herds.

Also, the Japanese Government has accelerated programs to retain and expand beef cattle herds. It will now pay farmers 4,000 yen per head (US$13) for beef cows held for calving. Beef breeding cattle will be imported for Government projects on Hokkaido, the northernmost island.

Beef imports are predicted to increase to almost 180,000 tons, carcass weight, and comprise 40 percent of Japan's 1976 consumption. Australia will continue to provide the majority of the imports, but an increasing share will come from the United States to satisfy the sizable retail and restaurant trade. Consumption in 1976 is forecast to increase from 1975's 400,000 tons to 420,000—continuing the gradual increase of recent years.

In 1976, pork production is forecast to recover about half of the 7 percent decline that occurred in 1975. Since consumption is forecast to grow slowly, imports will likely remain near the 1975 level—about 130,000 tons.

Following a decade of steady, rapid growth that saw broiler output increase more than tenfold, production and consumption of all poultry meats stabilized in 1975 and only a small increase is projected for 1976.

Canada. Beef and veal production here is forecast at 1,045 million tons in 1976—down about 1 percent from record 1975 levels. Cattle and calf slaughter increased by 22 percent in 1975, compared with a 12 percent increase in beef and veal output, reflecting sharp reductions in average slaughter weights. The lower slaughter weights in 1975 resulted from a combination of factors—a reduction in imports of heavy cattle from the United States, less grain finishing, and increased marketings of cows and heifers.

Trade in beef and veal between the United States and Canada was restricted during 1975—Canada's global annual quota imposed on August 12, 1974, was extended to December 31, 1975, and the U.S. retaliatory quota on beef and veal from Canada imposed November 16, 1974 (retroactive to August 12, 1974) was also continued through 1975. Thus, shipments to the United States for all of 1975 totaled just 21.2 million pounds, product weight, compared with 36.5 million in 1974 and 55.3 million in 1973.

In the absence of restraints, Canada may export about 60-70 million pounds of fresh, chilled, and frozen beef and veal to the United States in 1976. Canada is expected to continue slaughtering a relatively larger number of cows. The beef from the poor-quality animals has a limited market in Canada and a large proportion would be available for export to the United States, primarily as boneless beef.

Pork production is forecast at 545,000 tons in 1976, about 2 percent up from 1975. Hog slaughter in the last quarter of 1975 is expected to be 5 to 6 percent below 1974's, with farrowings down 6 percent. Thus, hog slaughter and pork production will not recover before late 1976.

With the removal of U.S. and Canadian import quotas on live cattle and hogs in August 1975, the border has reopened to two-way trade in live animals. However, the border was not opened quite as wide to U.S. animals moving north as in the period prior to 1974. U.S. slaughter cattle can be exported to Canada only if accompanied by a DES nonexposure certificate. And, of October 27, 1975, U.S. feeder cattle are subject to a more stringent testing procedure imposed by Canada for bluetongue and anaplasmosis.

Should recent increases in U.S. feedlot placements continue, the DES certificate program will allow higher quality U.S. slaughter animals to be shipped to Canada in response to market demand. However, the new testing procedures for feeder cattle (also applicable to breeding animals) will limit—if not preclude—the United States from taking advantage of any short-term market demand for feeder cattle in Canada.

USSR. Stepped-up Soviet hog slaughter during recent months has sharply reduced hog numbers on State and collective farms, so that estimated hog numbers (including private holdings) on January 1, 1976, may be about 15 percent less than a year earlier—about 60 million head. January 1, 1976, poultry numbers on State and collective farms are forecast at about 360 million birds—down about 10 percent from the 403 million on January 1, 1975.

While higher slaughter means extra pork and poultry were available in last-quarter 1975, it could tighten the supply situation in 1976. But as yet, there are no indications that cattle slaughter has increased because of shortages of grain and forage—although current indications point to heavier slaughter early in 1976. Thus, meat imports may be necessary during the first quarter. The crucial period for meat supply is expected to be between March and August before new crop grain becomes available.

Beef-exporting countries hard hit by the world beef glut that cut deeply into their export profits last year, will continue to increase their beef and veal output in 1976, with the exception of New Zealand—now feeling the effect of last year's heavy calf slaughter. The 1976 outlook follows:

Australia. Beef and veal production here in 1976 is forecast at 1.8 million tons, 6 percent above 1975 output and 43 percent above the reduced 1974 level. And cattle numbers are expected to show another increase on March 31, 1976, despite record slaughter during 1975.

Even so, the expected increase is less than that of a year earlier, partly because of the large number of cows and calves slaughtered and a general lapse in management practices, which con-

Continued on page 10

Short-term U.S. sales dip seen

Venezuela To Continue As Grain Importer in Future

VENEZUELA, a major South American market for U.S. grains, will probably cut back on its grain purchases from the United States in 1975/76 as the result of a recent 400,000-ton[1] grain purchases from Argentina. In the long run, however, the United States will probably continue to be a major supplier of Venezuela's grain imports, as they continue their upward movement of recent years, according to James W. Willis, U.S. Agricultural Attaché in Caracas.

Under a new agreement, Venezuela bought 200,000 tons of Argentine wheat, 100,000 tons of yellow corn, and 100,000 tons of grain sorghum. In the 1974/75 marketing year, Venezuela imported 632,000 tons of wheat and 573,000 tons of grain sorghum, mostly from the United States. This country normally supplies the bulk of Venezuela's imports of these two grains.

Earlier estimates—made prior to the announcement of the agreement—had indicated that Venezuela would increase its 1975/76 wheat imports by nearly 11 percent—from 632,000 tons in 1974/75 to 700,000 tons in 1975/76, with all of the 1975/76 total expected to be of U.S. origin. Grain sorghum imports were expected to rise from 573,000 tons to 600,000 tons, with 95 percent of the total coming from the United States. However, the recent grain purchases from Argentina have thrown all previous 1975/76 import estimates awry.

Although Venezuelan grain imports have mounted almost steadily, Venezuela's output of grain sorghum, rice, and corn also have risen in the past few years as the country seeks to reduce its dependence on foreign grain supplies.

The 1975/76 grain sorghum crop—at 80,000 tons—is estimated to be about double the 1974/75 level, but is still less than 12 percent of the country's requirements.

Corn production is expected to climb modestly from 524,000 tons in 1974/75 to 550,000 tons in 1975/76. But both levels are substantially lower than outturn between 1967 and 1971 when it averaged about 700,000 tons annually.

Venezuela's wheat production in 1975/76 is insignificant at about 800 tons and constitutes less than 1 percent of requirements.

Rice output is expected to reach 240,000 tons (milled) in calendar 1975—enough to fill the country's needs—up from 192,800 tons in 1974.

The basis for the larger grain sorghum crop was a sizable boost in area. That sown to sorghum in Barinas, "normally Venezuela's largest sorghum-producing State, and in the States of Portuguesa and Falcon, is expected to exceed 18,000 hectares (1 ha=2.471 acres). This total is only slightly less than that sown in all Venezuelan states a season earlier.

"Due to a poor outlook for cotton, many producers who had not already switched to corn production earlier converted their cotton land to grain sorghum cultivation. Assuming the area sown to sorghum in other States increased at a moderate rate, a doubling of Venezuela's total sorghum area this year appears probable," Willis said.

Although moisture levels had been relatively high earlier in the year, the quality of the grain sorghum crop is expected to be good. Larger infusions of credit and better technical assistance this year enabled farmers to employ improved cultivation practices.

"Also, several new, locally developed varieties of sorghum that are reportedly better suited to Venezuelan conditions are now being used," Willis reported. The combination of all these factors, "plus good growing and above average harvesting conditions, pointed to a significant increase in yields."

But there are several other elements that could work against the final crop outcome. Production has been plagued by a slight outbreak of the fungus *Punta loca,* and shortages of transport and storage and drying facilities were evident.

The area planted to grain sorghum is expected to continue to expand in 1976/77, although the rate could be held in check by a switch back to production of cotton, corn, or oilseeds. Government officials in the State of Barinas expect the sown area to rise from 11,000 hectares in 1975/76 to about 20,000 hectares in 1976/77. Similar rates of increase are possible in other production zones, Willis noted.

During the first 8 months of 1975, Venezuela purchased 419,000 tons of U.S. No. 2 grain sorghum. About half of this quantity was scheduled for delivery before July 1, 1975. Over 70 percent of the total quantity purchased from the United States since January 1 was contracted directly by feed compounders, with consent of the Venezuelan Agricultural Marketing Agency (CMA).

Based on corn harvest conditions in early to mid-October, official sources in the Llanos Occidentales (this region includes the States of Portuguesa, Barinas, Cojedes, Falcon, and part of Lara and Yaracuy) believe this zone should produce about 250,000 tons of corn in 1975/76. Because this region and nearby areas account for almost half of Venezuela's corn output, a total harvest of 550,000 tons seems reasonable, although the recent official estimate was 690,000 tons.

IN THE STATE of Portuguesa, 40,000 hectares were recently transformed from dry-land to irrigated cultivation, permitting a possible 65 percent increase in outturn, compared to last season's, largely because of increased yields. About 95 percent of the output in Llanos Occidentales should be white corn, 69 percent of which is the hybrid variety *Anchura.*

A recent increase in producer support prices should further stimulate growth in corn plantings in 1976/77. But perhaps of equal importance will be the amount of Government credit extended to farmers prior to the sowing season, according to Willis.

Venezuela—as of early November—had imported only about 133,000 tons of corn in 1974/75, almost exclusively from South Africa. Of this total, 122,000 tons arrived during the January-June period.

Venezuela's President Perez recently announced the 240,000-ton rice crop, estimating it to be 25 percent greater than the previous season's output. Willis said that "although 30,000 fewer hectares of rice were sown in the States of Barinas, Cojedes, Portuguesa, Yaracuy, and part of Lara. The installation of more irrigation facilities allowed pro-

Continued on page 11

[1] All tons are metric.

Buying of U.S. grain up, but—

Rising Energy Costs Imperil East Europe's Import Growth

By THOMAS A. VANKAI
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FOLLOWING an abrupt boost last January in prices of oil imports from the USSR, Eastern Europe belatedly found itself fully exposed to the high energy prices that have strained Western economies for the past 3 years. That move undermined the region's terms of trade and sparked a hitherto smouldering inflation. Yet it failed to halt growth in imports of U.S. farm products.

Admittedly, U.S. farm exports could eventually be hurt should increased outlays for energy force an across-the-board cutback in East European imports—a move suggested by the region's negative trade balances and growing dependence on credit. On the other hand, East European trade ties with the USSR have lessened now that the USSR is no longer a source for cut-rate raw material imports.

Indeed, with its 1975 grain crop the smallest in a decade, the USSR is unable to supply much of Eastern Europe's grain needs.

The United States this year inherited some of that trade—accelerated by severe grain shortfalls in all East European nations except Bulgaria, as well as in the USSR. And one nation, Poland, moved to nail down long-range access to U.S. supplies, concluding an understanding this past November to buy around 2.5 million metric tons of U.S. grain a year for the next 5 years.

Consequently, the United States in fiscal 1976 has resumed growth in its farm sales to Eastern Europe—forecast up 90 percent from fiscal 1975's to $1.1 billion.

In the meantime, it looks as if Eastern Europe's drift away from Soviet grain could continue beyond 1976, given the USSR's pressing need to rebuild its own grain stocks. Thus, the United States—as Eastern Europe's leading Western supplier—may continue to furnish much of the grain previously imported from the USSR. During 1971-74, that trade averaged around 4 million metric tons of grain a year.

The United States will also remain Eastern Europe's principal source for soybeans and soybean meal, whose import value stood at $137 million in fiscal 1975 (excluding transshipments).

Aside from this shift in source, Eastern Europe in the near future could be forced to reduce total imports—including selected agricultural imports—to keep high energy prices from pushing trade ledgers further into the red.

As in Western nations, the problem traces back to the upward spiral in energy prices that began in 1973. But since the bulk of Eastern Europe's energy imports comes from the USSR, and prices for Soviet products had been fixed in a 1971/75 agreement concluded in 1970, the brunt of the impact was delayed.

The strongest impact came in 1975, when the USSR moved to change terms of trade with the Council for Economic Mutual Assistance (CEMA), which includes the USSR and all East European nations except Yugoslavia.

The goal was to change the fixed prices so that they would reflect world prices that had skyrocketed since 1970. Since raw materials, particularly energy products, had led that spiral—and USSR exports to Eastern Europe are dominated by such products—the USSR stood to gain the most from such a move. (Eastern Europe ships largely finished goods to the USSR, whose price gains through 1974 had lagged behind those for raw materials.

A NEW 1-year agreement, effective January 1, 1975, resulted, with prices boosted to average levels for 1972-74. Indications are that this form of agreement, negotiated annually and based on preceding years' moving average world prices, will be continued in 1976 and beyond.

Since full-year 1975 trade data for Eastern Europe have not yet been published, it is impossible to assess fully the impact of the 1975 change in trade terms. However, data for 1974 show that even before the CEMA price boosts Eastern Europe's trade balances had slipped deeply into the red, and the region was depending increasingly on credit to sustain its import expansion.

Through 1974, the countries of Eastern Europe avoided rampant inflation and unemployment via budgetary manipulations and strict economic controls. Modest increases in retail price indexes still were obscuring the impact of simmering inflation, with the highest price gain Poland's 6 percent—and that offset by wage boosts. Even smaller were the changes in food prices, thanks to generous State subsidies on staples such as meat, bread, and sugar.

By maintaining economic growth and consumer demand, Eastern Europe also was setting the stage for trade problems, which were becoming obvious in 1974. Then, East European countries were still enjoying stability in the two-thirds of their trade conducted within CEMA at fixed prices. But the cost of the other one-third of trade was going up as soaring costs for raw-material imports outpaced the region's modest export expansion.

Consequently, total East European trade in 1974 fell $8.8 billion into the red as all countries recorded trade deficits. During the 4 years between 1971 and 1974, by contrast, only Yugoslavia had suffered from a chronic trade deficit; Hungary had managed a surplus in 1973; and Bulgaria and Czechoslovakia had surpluses from 1971 to 1973.

East European nations financed these mounting deficits by importing on credit, while curtailing some of their planned public investment. They were thus mortgaging the future for temporary respite, with the hope of gaining time for a gradual economic readjustment.

Even greater problems were to develop in 1975, as the renegotiated CEMA prices abruptly lifted costs of trade with the USSR. Under the new agreement, CEMA prices for oil soared 154 percent above those during 1971-74; the cost of coal imports jumped 94 percent; wheat, 64 percent; and cotton, 62 percent. In contrast, prices for machinery and equipment—among the main CEMA exports to the USSR—rose about 15 percent, and prices for all agricultural products gained an aver-

age of 28 percent.

One strong indicator of East European nations' vulnerability to high import prices for energy products is their degree of self-sufficiency in energy, which in 1972 was as follows:

	Percent
Bulgaria	43.3
Czechoslovakia	76.3
East Germany	76.1
Hungary	66.1
Poland	90.8
Romania	90.4
Yugoslavia	69.9

The price realinement especially hurt the larger net importers of raw materials like Bulgaria, Czechoslovakia, East Germany, and Hungary. Poland and Romania — almost self-sufficient in energy—theoretically should fare better. However, crop shortfalls in 1975 have so far strained their budgets also.

Indeed, half-year reports for 1975, point to further deterioration in trade balances. For example, hard-currency imports by Hungary and Poland increased 14 percent and 33 percent, respectively, while their hard-currency exports declined 12 percent and increased 21 percent. Within CEMA trade, only Poland succeeded in improving terms with its trading partners.

During the second half of 1975, grain shortfalls further taxed the trade balances of every East European country except Bulgaria. Poland, East Germany, and Czechoslovakia had to increase, and Romania continue, importing grain —virtually all from hard-currency sources. At the same time Hungary had much less wheat to export than in 1974.

The close to 4-million-ton shortfall in grain, mostly wheat, alone is valued at an estimated $600 million. To these grain imports must be added the greater expense for crude oil and other raw-material imports from the USSR.

Eastern Europe's crude oil imports of 62-65 million tons from the USSR during 1975, for instance, are estimated to have cost about $32 per ton more than in 1974. This put a $2-billion burden on the East European economy, in addition to the recurring $1 billion extra payment to Organization of Petroleum Exporting nations.

Despite these additional outlays, growth in industrial production during the first half of 1975 ranged between 6 percent in Hungary and 14.5 percent in Romania. Parallel to the production growth, per capita income increased considerably, except in Czechoslovakia and East Germany, and caused imbalances in the food supply-demand situation, particularly in Poland and Romania.

Inflation thus picked up a notch in 1975, forcing additional headaches for economic planners formulating goals for 1976-80. Moreover, the positive economic indicators often have not reflected actual conditions. Production growth data do not reveal inventory accumulation or quality changes, and the consumer price index does not reveal shortages or costs of new or free-market products excluded from the index.

In Poland, for instance, the indexes last year were indicating economic successes, but consumers could not find enough meat and milk products. These difficulties prompted one Polish news commentator to ask complaining readers whether they would prefer price increases when demand grows faster than supply, rather than put up with shortages for the sake of stable prices. So far, the Communist Governments have opted for stable prices.

Meanwhile, continuing industrial growth further expands the need for energy, fueling inflation and weakening Eastern Europe's foreign trade position.

Short-term remedies to fend off the menacing inflation have included revitalization of latent domestic energy reserves, a shift from liquid fuel to coal, programs to conserve energy use, and controls on most retail prices. Energy prices also have been boosted, with the goal of discouraging fuel consumption.

DESPITE these moves, East European economists admit that the region's planned growth in energy consumption cannot be met by increased production within CEMA. Part of the crude oil consumption growth will have to be covered outside the USSR, while dependence on the USSR also rises. To assure greater supplies of energy from the USSR, all East European CEMA members except Romania are participating in building a natural gas pipeline, originating at the Urals in the USSR.

No matter where the energy comes from, it will remain a heavy burden on the East European economies, making balancing the trade ledger an increasingly difficult problem. The choices

Continued on page 16

EAST EUROPEAN TRADE, TOTAL VALUE AND PERCENT AGRICULTURAL, 1970-74

Item	1971		1972		1973		1974	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
Total trade:[1]	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*
Bulgaria	2,120	2,182	2,369	2,425	2,697	2,732	4,283	3,838
Czechoslovakia	4,010	4,180	4,295	4,527	5,466	5,619	7,366	6,903
GDR	4,981	5,076	5,441	5,698	6,507	6,231	11,880	10,704
Hungary	2,990	2,500	2,904	3,031	3,177	3,581	4,667	4,294
Poland	4,038	3,872	4,903	4,533	6,526	5,839	10,448	8,321
Romania	2,103	2,101	2,411	2,396	2,903	3,096	5,144	4,874
Yugoslavia	3,252	1,814	3,233	2,237	4,511	2,853	8,040	4,068
Percent agricultural:	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Bulgaria	14	44	12	40	14	36	16	32
Czechoslovakia	24	8	23	8	22	8	22	10
GDR	27	5	27	6	29	8	([2])	([2])
Hungary	15	25	14	24	15	25	19	20
Poland	15	13	12	15	13	15	12	13
Romania	16	27	16	29	18	29	19	27
Yugoslavia	16	20	17	20	18	18	17	13

[1] Year to year changes in absolute value are influenced by the revaluation of East European currencies in 1973 and 1974. [2] Not available.

Canada Foresees 25 Percent Dip in Farm Income in 1976

By CAROL E. BRAY
Foreign Demand and Competition Division
Economic Research Service

THE CANADIAN Agricultural Outlook Conference (December 15-16, 1975) was a stormy event during which Canadian Federal Government officials exchanged information and views with highly vocal representatives of provincial governments, farm groups, and agribusiness concerning the Federal Government's assessment of the agricultural situation in 1975 and the outlook for 1976.

Climaxing the Conference were pessimistic Government projections of farm incomes for 1976. According to Agriculture Minister Eugene F. Whelan, the next year will be a tough one for Canadian farmers, chiefly owing to an expected 9 percent upturn in farm costs, combined with a moderate 3 percent decline in returns.

Because of continuing inflation, said Government forecasters, Canadian farm costs could head up to $7.3 billion this year, compared with $6.7 billion in 1975. Returns were seen dropping to $10.3 billion from 1975's record $10.7 billion. The result would be a 25 percent decline in net income for Canada's farmers this year.

Yet export opportunities for 1976 were considered to be generally good by Government analysts. Since world stocks of grains and other items are likely to remain relatively low this year, they felt, wheat prices for this year's crop would be firm and feedgrains off slightly. Oilseeds were the only item where oversupply problems on world markets might present problems.

But the moderate decline projected for farm receipts, said forecasters, would stem from such factors as lower returns to wheat farmers, which reflect Wheat Board payments on 1974's smaller grain crops. Returns from livestock and livestock products were projected to rise over last year's, but not to high 1974 levels. Reflecting the slowdown in world demand, receipts for oilseed crops could decline somewhat.

Tempering the projection, however, Minister Whelan pointed out that last year's Outlook Conference had portended a 12 percent decline in farm income that did not materialize. In fact, net farm incomes reached a record high for the fifth consecutive year.

Not all provinces shared in this gain, however. Only Quebec, Saskatchewan, and Alberta experienced gains over the previous year, with Saskatchewan registering the largest increases. Improved total farm cash receipts came as the result of a 12.8 percent increase in crop returns and a 9.9 percent in livestock.

Underlying the problems expected to confront Canadian farmers in 1976 are inflationary pressures that have pushed up the costs of farm inputs, including land, labor, and raw materials. Some relief from the about-10 percent inflation rate that prevailed during 1975 is expected, however, owing partly to recently imposed wage and price control programs.

Canada's anti-inflationary policies are considered to be necessary because of its high dependence on exports, particularly agricultural products. If exports are to remain competitive—particularly vis-a-vis U.S. products—Canada must keep a lid on its prices.

A report by D.W. Slater of the Government's Finance Department indicated that Canada's economic recovery would continue at a moderate rate during first-half 1976 and accelerate in the second half. Increases in consumer spending and housing, aided by a tax cut, are leading the upturn, which began in the second quarter of 1975. Inflation, underutilized industrial capacity, and unemployment, however, still remain major problems.

According to C.R. Phillips of Agriculture Canada, the country may face periodic natural gas shortfalls until about 1981. Until then, prices would increase. Canada will also increasingly become a net oil importer, he said. These developments, however, are unlikely to greatly affect farmers' net incomes since fuel costs are a small proportion of total farm outlays. The fertilizer outlook is better—from the farmers' standpoint—than last year, since supplies are projected to be ample and prices lower.

In a closing statement, Minister Whelan stated that Canadians should not expect farmers to carry all of the burden of higher costs in 1976. With regard to commodities, he suggested that farmers should: Increase wheat production, keep feedgrain output at current levels, control hog and milk outturns, and increase production of poultry and turkeys a little.

The situation and outlook for the principal commodity areas were reported as follows:

According to forecasts made by Statistics Canada in mid-September, wheat production in 1975 totaled 16.5 million tons, a 24 percent increase over 1974's crop of 13.3 million tons. Fifty-six percent of the crop was in the two top grades—a better showing than the 1974 crop, of which only 38 percent reached the two top grades, but below the 10-year average of 65-70 percent. This could create difficulties in meeting domestic and export requirements for high-quality wheat.

SUPPLIES, including carryover, at the beginning of 1976 are less than 1 million tons above last year's. Thus, if 1976 exports exceed 11.7 million tons—as expected—a reduction of stocks will be required. Beginning stocks this year are at their lowest level since 1952.

Canadian farmers were encouraged by Federal Government officials to increase wheat acreage to 26 or 27 million acres this year from 23.4 million in 1975, an increase of 10-15 percent. Canadian wheat producers were also encouraged to increase acreage in 1975, but planted area rose only 6 percent over that of 1974.

Any sizable acreage gain this year, however, would have to come from a reduction of the 27-28 million acres presently held in summer fallow. Even the prospect of strong foreign demand for increased Canadian production may not be enough to induce producers to shift land from fallow. Most growers still feel that summer fallow is necessary to maintain high production in the long-term.

Production of coarse grains also advanced in 1975. Except for corn, most of the increases resulted from improved yields, rather than acreage expansions. For corn, acreage increases and excel-

lent growing and harvesting conditions that resulted in good yields pushed production up by 26 percent to an estimated 138 million bushels.

Corn acreage may continue to move upward this year, although acreage in oats, barley, and rye is not likely to change significantly and may even fall below 1975 levels.

Oilseeds, headed by rapeseed, compete with wheat for much of the same area in Canada. Despite a large carryover and lower prices, producers increased rapeseed area to 4 million acres in 1975. Yields were above average despite adverse weather conditions at harvest time, and 1975 production is estimated at about 72 million bushels. Large rape stocks and declining world prices suggest that more profitable planting alternatives exist. A shift out of rapeseed production could increase wheat acreage, but no large change is in view, and rapeseed production will probably hold at 50 million bushels or more next year.

Canadian cattle and calf slaughter climbed 12 and 77 percent, respectively, last year. Because of a reduction in average carcass weights, however, beef production rose by only 9 percent over that of the previous year. Per capita consumption of beef in 1975 reached about 100 pounds, a record high, compared with the previous year's record of 95 pounds.

Cattle inventories on July 1, 1976, will probably be below those of a year earlier. But assuming good pastures and crops, cattle slaughter in 1976 may be below 1975 levels. Beef production may stay at or below previous levels, however, since a shift from grazed to fed cattle could boost carcass weights.

HOG SLAUGHTER in Canada declined by 14.6 percent in the January-November 1975 period (28.3 percent in the west and 4.5 percent in the east). Slaughter is expected to remain 6-8 percent below year-earlier levels through the first half of 1976, even though comparatively high hog prices are assumed through the summer.

Production of eggs and turkey meat are under a supply management program administered by national marketing agencies. The major objective of these programs is to assure that production of eggs and turkey meat equals demand at relatively stable prices. As part of the programs, global import quotas have been placed on eggs, egg products, and turkey meat.

At present, the Canadian turkey marketing agency appears to have achieved a workable balance between production, consumption, and stocks. As a result, national production quotas may be increased from 180 million pounds to 200 million in 1976.

The Canadian egg production management program has faced difficulties in reducing egg surpluses. But the pullet layer population is expected to drop from 3 million in December 1975 to 2.6 million in February 1976 and remain steady throughout the year. Correspondingly, egg production in 1976 is estimated to decline by 7-8 percent below year-earlier levels in the first quarter of 1976 and 4-8 percent in the second quarter. Total egg production in 1976 is projected at 455-465 million dozen eggs, assuming a stable flock size after April.

THE CANADIAN dairy industry is also governed by a market management program. At the beginning of the 1975 milk year (April 1, 1975), the Government initiated policies designed to stimulate production. The industry responded to the new initiatives faster than expected and milk production rose 4-5 percent, reaching 14.9 million pounds in October 1975. This represented the largest percentage increase over a previous year's production since 1953. Butter production was up, and stocks of nonfat dry milk rose 31 percent above year-earlier levels. The falloff in the number of shippers in the industry slowed and there was a 2 percent increase in the number of milk cows.

Consumption of milk products, except cheese, declined in 1975. Substantial rises in the price of fresh fluid milk occurred after the removal of the Federal milk subsidy, which led to consumer resistance and a decline in sales. The per capita consumption of butter also declined and butter imports decreased by 80 percent.

The short-term objective of the milk industry is to bring production into line with market demand. Various measures have been taken to reduce incentives for increased production. If milk production is reduced to meet requirements, butter production will probably drop by 12 percent leaving an exportable surplus of nonfat dry milk of 532 million pounds.

U.S.-ITALIAN TOBACCO TRADE EXPANDING

A burgeoning two-way trade in tobacco has developed in recent years between the United States and Italy, the European Community's major tobacco producer.

U.S. exports to Italy in fiscal 1975 reached 32.9 million pounds worth $53.3 million—up 30 percent in quantity and 75 percent in value over fiscal 1974's. Italy is now the third leading EC market for U.S. tobacco. (The United Kingdom and Germany remain Nos. 1 and 2.) U.S. tobacco, mainly high quality flue-cured and burley cigarette leaf, accounts for nearly 30 percent of Italy's total leaf imports.

The United States has also become a leading export destination for Italian tobacco. Italian exports to this country —largely low-cost burley and oriental fillers—were 30 million pounds in 1974, about 27 percent of Italy's total exports. Only West Germany was a larger market for Italian tobacco last year.

Several related factors are bringing about this growing U.S.-Italian two-way trade. The Italian tobacco monopoly is rapidly increasing its output of quality blended cigarettes to meet competition in the home market from imported blends. Blended cigarettes containing U.S. tobacco now have a substantial and growing share of Italian sales.

Common-Agricultural Policy (CAP) support and intervention measures are relieving the Italian monopoly of its pre-CAP role as the residual purchaser of Italian tobacco. At the same time, buyers' premiums and export subsidies payable under the CAP are significantly reducing the cost of Italian tobacco to foreign buyers. Thus the monopoly is shifting its purchases toward imported tobacco, and Italian leaf, assisted by CAP subsidies, is moving into export in greater quantities.

Italian oriental tobacco particularly, is now attractive to U.S. importers in view of record high prices for oriental from this country's traditional suppliers —Greece and Turkey.

Finally, the increase in tobacco trade between the United States and Italy has coincided with expansion of operations in Italy by U.S. leaf dealers. These companies are helping to improve the processing, blending, and handling of Italian tobacco which, in turn, is helping to improve export quality.

Rebound in World Meat Trade Seen in 1976

Continued from page 4

tributed to higher death losses during the year. The expected 1976 thrust in slaughter is still, however, below the level needed to halt the increase in inventory numbers. Barring a prolonged drought, Australia's cattle numbers probably will increase for at least another 2 years.

The production forecast for 1976 also assumes that the relatively strong export market of recent months will continue this year. With a strong export market, home consumption may decline from the 56 percent of production in 1975. If the export demand deteriorates during the year, domestic consumption could be over half of the total output once again.

Australia's exports of beef and veal in 1975 are estimated at 500,000 tons, product weight, up 48 percent from 1974's. Most of this rise occurred in shipments to the United States, but exports to Canada increased moderately and exports to Japan and the EC were larger than earlier anticipated. Sales to the Middle East and the USSR also accounted for some of the advance.

New Zealand. In contrast to other exporting countries, New Zealand's beef and veal production in 1976 likely will be down from the previous year's. Output is forecast at 465,000 tons in 1976, compared with an estimated 507,000 in 1975. The cattle inventory on January 1, 1976, is also expected to be about 200,000 below the 9.8 million head on hand a year earlier. Much of this decline can be attributed to the slaughter of over 500,000 dairy-beef calves in 1975.

The expected decline in both slaughter and beef and veal output in 1976 will reduce available supplies of meat for export. Export availabilities, however, due to a high beef carryover, are expected to be down only 4 percent, compared with the expected 8 percent decline in production.

Central America and the Caribbean. Cattle numbers in the six Central American countries are projected to increase to 10.8 million head at the start of 1976, from 10.5 million at the beginning of 1975. With the higher export price in the last 4 months of 1975, the rainy season over, and cattle in much better condition, slaughter and exports in most countries have increased. This trend is expected to carry into 1976, with slaughter for the year forecast 6 percent over the 1975 level.

Production and exports are expected to show moderate increases in Haiti and the Dominican Republic in 1976. Beef exports from the Dominican Republic are forecast at 4,550 tons, approximately 900 tons higher than the drought-reduced 1975 estimate but substantially below the 7,260 and 6,350 tons shipped in 1973 and 1974, respectively. Exports from Haiti are expected to increase slightly to about 850 tons.

Mexico. Beef production in 1976 is expected to increase about 7.5 percent over that produced in 1975 to approximately 955,000 tons. Consumption is forecast to increase 6 percent to 926,000 tons, so that almost 30,000 tons, carcass weight, should be available for export in 1976. This is approximately twice as much as in 1975.

Exports in 1976 could be larger than currently forecast if dry weather forces ranchers to sell from their very heavily stocked pastures. On the other hand, they could be smaller if the Government institutes a program similar to the milk subsidy as part of its expanding social program.

Argentina. Cattle herds are expected to expand by about 1 percent in 1976 over the June 30, 1975, level of 59.8 million head. This slow rate of increase is due to heavy slaughter in 1975, which went into sharply higher domestic consumption. For 1976, production is forecast to increase from 2.5 million tons to 2.7 million.

Currently, most Argentine pastures are in good condition. While cattle prices have risen, many ranchers are concerned that they have not gained enough to compensate for inflation. Recent strikes by cattle producers have resulted in slight temporary price rises and an adjustment in the exchange rate for exports. This should result in a higher level of export sales since prices will be lower to the importer. At the same time, stronger export demand could raise prices for the producer.

Exports in 1975 were approximately 10 percent below the 1974 level of 289,000 tons. Strengthening in the last half of the year is expected to continue, so that exports in 1976 are estimated at 400,000 tons, carcass weight, with larger exports foreseen to several markets, including the EC and the United States.

Uruguay. Good rains and moderate weather kept the heavily stocked Uruguayan pastures in very good condition during the winter months of June-September. Current 1976 forecasts are for: Herds to expand, but at a slower pace; production to increase slightly, but slaughter numbers to increase as weight-per-animal declines; and exports to increase to 40 percent of production, up from the about-30 percent in 1975. These forecasts are based on the strong export market continuing through 1976 and maintenance of the excellent pasture conditions. Exports are forecast at 145,000 tons, carcass weight equivalent, in 1976, compared with a possible 100,000 tons in 1975. Of these sales, 26,000 tons are to be exported to Brazil where it will be processed for export to the United States and Egypt.

Ecuador Seeks Markets, Storage for Rice Surplus

Ecuador harvested two exceptionally large rice crops during 1975—a total 188,000 metric tons (milled basis) from May and November outturns. The country's rice storage and milling facilities are nearly filled to capacity as a result, and Government storage facilities have been accepting only limited quantities of milled rice from those producers who had obtained Government production loans.

The Ecuadorean National Company for Storage and Commercialization of Agricultural Products (ENAC) has been authorized to buy 600,000 quintals of rice from producers, with preference for those with Government loans.

The National Association of Industrial Rice Processors (ANIA) had suggested that ENAC buy 1 million quintals to strengthen the Government's efforts to increase rice production.

Small rice millers reportedly were offering producers substantially less than the official price, and producers—especially those without Government loans—were accepting them as the alternative to losing their harvests through spoilage.

ENAC, whose grain storage facilities are very limited, has agreed to contract with selected ANIA mills for storage of up to 300,000 quintals.

The rice industry is proposing export of up to 25,000 tons of rice as a partial solution to the surplus problem.

Venezuela Grain

Continued from page 5

ducers to almost double rice output in these States in 1975 over 1974's.

"Rice outturn in this zone will reportedly reach, and possibly exceed, 250,000 tons (paddy) versus 130,000 tons in 1974. Rice outturn from the area already harvested in Calabozo and the Oriente was earlier estimated at 100,000-120,000 tons," he said.

In the first half of 1975, the CMA paid rice producers $9.48 million for rice delivered to designated collection points. Rice producers received $7.6 million for rice delivered in all of 1974. "The larger amount being paid this season reflects a larger harvest since prices were essentially the same," Willis noted. "Another $69,000 in subsidies had already been paid in 1975 for the import of about 2,600 kilograms of rice seed from Colombia."

In mid-September, CMA petitioned the Government to boost the current support price for rice being delivered by small- and medium-sized producers in the Llanos Occidentales to about $276 per ton. The support price for long-grain rice earlier had been established at $184.

Venezuelan Customs Department data indicate that the United States shipped 13,000 tons of pulses to Venezuela during the first 8 months of 1975, versus 8,000 tons in the same months a year earlier. During this period shipments of peas were 2,000 tons higher, and shipments of all beans rose by 3,000 tons. Based on the larger quantities of pulses being shipped from the United States and other suppliers, total pulse imports should increase by a sizable margin in 1975 over the previous annual level.

Millers and the CMA have reportedly booked 630,000 tons of wheat for delivery under the 1974/75 quota of 745,000 tons. On October 20, 1975, as part of the 630,000-ton booking, Venezuelan millers purchased 32,900 tons of Dark Northern Spring wheat (12 percent protein), primarily for delivery during the last 2 months of 1975. Another 48,000 tons of wheat had been reportedly contracted during late 1974 and some of this may have arrived during early 1975. Of the total quantity authorized for 1974/75, an estimated 577,000 tons was delivered before the end of October. Purchases by millers could perhaps bring the 1974/75 order total to the full 745,000 import quota, although deliveries may not match this figure.

Even deducting the 48,000 tons purchased during late 1974, Venezuelan millers would have to buy another 115,000 tons between early November and yearend to fulfill the 1974/75 quota.

Government policies aimed at reducing dependence on foreign grain purchases sometimes seem to work against one another. Many prominent persons—businessmen, farmers' representatives, and even Government policymakers—believe prices set for many agricultural commodities are too low. But higher producer prices would encourage local buyers to rely more heavily on imported grains and force a larger Governmental outlay of cash to keep retail food prices down.

Feed manufacturers, for example, says Willis, understandably prefer lower priced imported grain sorghum, since deliveries can be scheduled to meet consumption requirements, whereas local grain sorghum must be stored at great cost, always with the danger of reduced quality as time elapses.

Meanwhile, the Government has said that the price of farm machinery will be reduced 30 percent and that five new grain elevators will be constructed in the Llanos Occidentales, holding 180,000 tons. Another complex, with storage capacity of 100,000 tons, will be built elsewhere in the country. Work is also continuing in four states on silos holding another 470,000 tons.

Brazil's Farm Minister Looks at '75

Brazil's Minister of Agriculture, Allyson Paulinelli—in a report carried by the Brazilian press—gave good marks to that country's agriculture for its performance in calendar 1975 and took a look at what he expects for 1976.

Because of increased production of food in 1975, he said, agriculture's share of the increase in the Brazilian cost of living fell from 38.5 percent in 1974 to 24 percent in 1975, comparing the first 11 months of both years. In the same period of 1975, increases in other sectors were: Housing, 45 percent; medical care, 42 percent; personal services, 38 percent; and public services, 31 percent.

During the period, agriculture earned a total of $3.427 billion in foreign exchange, representing a 5.6 percent increase in value and 20.3 percent in volume, compared with 1974. He also expressed his belief that agriculture could easily contribute between $5 billion and $7 billion to Brazil's balance of payments in the future.

The Minister acclaimed soy products as Brazil's export champions in the 11-month period of 1975. He expects a 1976 soybean crop of 11-12 million tons and at present sees no difficulty in selling the export surplus from either the 1975 or 1976 crops.

Paulinelli foresees possible total exports for soybeans and products from the 1976 crop around 10 million tons.

The Minister also said he expects a 1976 corn crop of over 20 million tons and—because of an acreage expansion of 27 percent—a rice crop of 9.5-10 million tons—provided the rice suffers no damage from adverse weather in January and February.

Wheat output was reduced because of bad weather in 1975 from the hoped-for crop of some 3.8 million tons to less than 2 million.

The Minister said the Brazilian Government will have to take special action to restore confidence of wheat farmers and again start moving toward Brazil's goal of self-sufficiency for wheat. (The country's 1975 wheat consumption was 4.8 million tons.)

For 1976, Paulinelli said he expected an acreage increase under wheat of at least 10-15 percent. Nearly 400,000 hectares planted to wheat in Paraná may be planted yearly with a second wheat crop, increasing output 10 percent.

Coffee production in 1976 is expected to be down 70 percent because of the July 1975 frost. Sugar production, on the other hand, should increase, based on a 20 percent boost in the State of São Paulo, where yields are highest in the country.

USS Facing Possible Import Payment Pinch

Purchases of U.S. farm products in fiscal 1976 (July-June) by the USSR may pose some payments problems for Moscow. This year's Soviet purchases in the United States—largely grain—are expected to reach more than $2 billion in value by June 1976.

The USSR is not eligible for Commodity Credit Corporation financing. The Soviet ruble is not convertible into hard currency, but Soviet purchases will require large amounts of hard currency in payment. Although the USSR earns substantial amounts of hard currency from its foreign trade, these earnings in total fall far short of covering Soviet hard-currency purchases.

In the first 6 months of calendar 1975, the Soviets ran an estimated $1.8-billion trade deficit with the United States, West Germany, France, Italy, and Japan, and their large grain purchases during the second half of 1975 are expected to push the total up considerably.

The USSR covers the difference between its hard-currency earnings and expenditures with gold sales and loans. In 1974, for example, the Soviets sold an estimated 150 tons of gold, earning about $750 million, and 1975 gold sales may reach $1.3 billion even though declines in gold prices may slow sales.

Although Soviet gold sales could be used to finance the entire payments dficit, the USSR has increasingly turned to the West for credits and loans. Soviet bankers have been borrowing heavily in the Eurodollar market. Moscow's International Investment Bank recently negotiated a $260 million loan from a 13-bank consortium led by a subsidiary of the Deutsche Bank. Proceeds of this loan—on which the USSR is paying about 10 percent interest—probably will be used to help finance the construction of a natural gas pipeline between Orenburg and the Czechoslovak border.

Other Eurodollar loans have been made for general purpose use, and are presumably being used to finance industrial modernization as well as the agricultural purchases the Soviets have made in 1975. —JUDY GOLDICH, ERS

World Weather

Highlights. January showers and thunderstorms substantially eased the drought in Argentina but dry weather in December already had seriously reduced crop prospects. Drought also tended to ease in the USSR and frequent snowfall in January extended a protective snow cover over most major agricultural areas. Temperatures in the USSR tended to be above normal, although ground ice in late December caused concern about crop suffocation. Generous December-January rainfall benefited crops in South Africa and Australia. Frequent heavy rains disrupted wheat harvest and planting schedules in parts of southern Brazil. Most of Europe was exceptionally dry in December but northern areas turned rather wet in early January, when one of the worst storms in decades struck. In general, temperatures were slightly above normal. In the United States, there has been no significant precipitation since November 20 in much of the Great Plains.

General. The Argentine drought persisted through December, aggravated by occasional hot, windy weather. December precipitation amounts were 25-50 percent of normal. At the beginning of the year, shower and thunderstorm activity increased considerably bringing widespread relief. In the first half of January, rainfall was 2-6 inches in most of the corn-sorghum crescent.

Cloudy skies and rainy weather were common in early summer in much of central and southern Brazil. Though seasonably dry conditions prevail in the northeast, the region is suffering from the cumulative effects of relatively dry weather since July.

Wet weather continued in much of Australia with well above normal rainfall in eastern areas. Rain amounts ranging from 15 to 25 inches over the last 6 weeks account for extremely wet conditions in northeast Australia. The Southwest has been seasonably dry. Temperatures throughout Australia have been running close to normal.

South Africa's "corn triangle" received about 6 inches of rain in December and frequent showers continued into January. In the Mediterranean region December precipitation was variable, mostly 1 to 6 inches, with the heavier amounts in Tunisia.

In the USSR, normal or above normal December precipitation in most of the European region and Kazakhstan particularly benefited drought areas of the Urals and West Kazakhstan. In contrast, precipitation over much of southern European USSR and western Siberia was appreciably below normal. Frequent and widespread January storms provided above average moisture.

December was much drier than normal in most of Eastern and Western Europe and temperatures tended to be above normal. Good rains, however, occurred over much of the western Mediterranean region. Moderate temperatures accompanied much wetter conditions in northern regions in January.

In North America, precipitation has been sparse over much of the U.S. Great Plains, especially the southwest portion.

Crops. Dry December weather favored harvests of wheat and flaxseed in Argentina. Summer crops and pastures, however, continue to deteriorate, especially early-sown corn. Sorghum and sunflowers fared better. January rains arrested crop deterioration, improved pastures, and stimulated seeding of late sorghum and sunflowers. Late seeding may harm crops not reaching maturity before winter rains and frost. Weather has been good for apples and pears.

Pastures, citrus, coffee, and most annual crops benefited from the active rainy season in central and southern Brazil. The wet weather caused some problems harvesting winter grains and seeding soybeans in Rio Grande do Sul. Crops in northeast Brazil are suffering from drought following the floods of last July.

Improved soil moisture and snow cover in the USSR brightened the winter grain outlook. The mixed and spring wheat areas received much more snow than a year ago.

—By WILLIAM J. CREMINS, FAS

CROPS & MARKETS

—GRAINS • FEEDS • PULSES • SEEDS—

Record Wheat Imports Indicated for Brazil. Recent heavy wheat purchases by Brazil have pushed commitments and shipments to that country in the 1975/76 (July-June) season to a record 3.5 million metric tons, compared with 2 million tons in the previous year. U.S. commitments to Brazil now total almost 2.4 million tons, compared with only 700,000 tons in 1974/75. Purchases of 500,000 tons from Canada and 400,000 tons from Argentina round out the known commitments to Brazil in the current season. Additionally, almost 200,000 tons of Canadian wheat, purchased under a previous agreement, were shipped in July-September 1975.

Record wheat imports are attributed to this year's poor harvest, which is about 1.8 million tons or 1 million tons below the 1974/75 level. Some buildup of stocks may be indicated by the abnormally large imports.

Rotterdam Grain Prices and Levies. Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Jan. 26	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	(1)	(1)	5.51
USSR SKS-14	(1)	(1)	(1)
French Feed Milling [2]	3.50	−8	(1)
U.S. No. 2 Dark Northern Spring: 14 percent	5.03	−5	5.33
U.S. No. 2 Hard Winter: 13.5 percent	4.68	−7	5.10
No. 3 Hard Amber Durum	5.28	−10	6.99
Argentine	4.34	+4	(1)
U.S. No. 2 Soft Red Winter	3.85	−6	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	3.02	−2	3.43
French Maize [2]	3.35	+1	(1)
Argentine Plate corn	3.73	−7	4.03
U.S. No. 2 sorghum	2.99	−2	3.33
Argentine-Granifero sorghum	3.05	−1	3.46
U.S. No. 3 Feed barley	2.86	−1	3.48
Soybeans:			
Brazilian [3]	5.13	−15	(1)
U.S. No. 2 Yellow	5.01	−19	6.55
EC import levies:			
Wheat	1.16	+4	.77
Corn	1.06	0	.47
Sorghum	1.05	+3	.57

[1] Not quoted. [2] Basis c.i.f. west coast, England. [3] May delivery. NOTE: Price basis 30- to 60-day delivery.

Smaller South African Corn Crop Seen. The first official estimate of South Africa's 1975/76 corn crop (to be harvested in April/May 1976) is to be made in March; however, current prospects indicate the crop will be smaller than the 9.5-million-ton harvest of 1974/75. With the large stocks carried over from earlier crops, however, South Africa will still be able to maintain its recent level of exports during the 1976/77 marketing year.

India Expecting Good Spring Crop. Indian Government officials are anticipating a good rabi (spring and early summer harvest) foodgrain crop of at least 42 million metric tons. Despite lack of rain in the key wheat-growing areas of northern India, production of rabi crops could exceed that figure if timely rainfall is received. Last year's crop is estimated at 43 million tons. The rabi crops—primarily wheat—were seeded in most parts of the country under favorable soil moisture conditions. Taking advantage of good soil moisture conditions and ample irrigation water, the Indian Government launched a drive to increase wheat production, both in the traditional wheat-producing states as well as in areas where wheat cultivation is relatively new. A major element of the drive is to bring an additional 1 million acres of land under high-yield wheat varieties. Also, prices of some imported fertilizers have been reduced to encourage their use.

EC Resets Grain License Period. The EC Commission has reduced the forward fixation periods for import licenses for non-Durum wheat, rye, oats, and sorghum, and has reimposed a forward fixing option for corn and barley. The new periods (previous periods in parentheses), in days, are: Non-Durum, 45 (60); rye, 30 (60); barley, 30 (0), oats, 30 (60); corn, 30 (0); sorghum, 30 (60); and Durum, 30 (30).

The new periods provide easier access for imports of corn and barley relative to the EC market, but have a restrictive effect for the other grains—except Durum, which was unchanged.

DAIRY • POULTRY

Sweden's U.S. Cheese Exports Held Subsidized. The U.S. Treasury Department has made a preliminary finding that the export of cheese from Sweden to the United States is subsidized by bounties or grants, which could lead to the imposition of countervailing duties against such exports.

A final decision is required by June 18.

EC Plans Reduction of NFDM Stocks. To help reduce its current 1.1-million-ton intervention stocks of nonfat dry milk, the EC Commission has undertaken two programs to move stocks acquired before April 1974 to animal feed uses. Reportedly, the EC has about 80,000 tons of such stocks. Stocks acquired prior to June 1973 are to be sold via tenders for incorporation into hog and poultry feed. (The first tenders, submitted in early January, were rejected as too low.) The remainder of the aged stocks, to be released under less specific rules, are also for incorporation into mixed feed, with half of the NFDM to be kept for consumption in the EC and half exported.

The EC Commission also is recommending adoption of a program to make mandatory the inclusion of 2 percent NFDM from intervention stocks in commercially prepared mixed feed. The intent of this plan is to draw down intervention stocks by 600,000 tons.

Also, to divert milk from butter-powder production, the EC in 1976/77 will subsidize production of dried whole milk,

with a bounty equivalent to about 8 U.S. cents per pound of dried whole milk produced.

EC Changes Some Price Data Bases. The EC Commission has modified the data observation period from which it calculates sluicegate prices and basic levies each quarter for imports of pork, poultry meat, and eggs. Effective February 1, the data observation period is the 5-month period prior to the month in which the calculation is made and 2 months before the quarter for which the sluicegate price or levy is applicable. The change is designed to make world market price fluctuations have a faster effect on the EC import system for pork, poultry meat, and eggs. Prior to the change, world feedgrain market prices were used for the 6-month period preceding the quarter in which the calculations were made and 4 months before the quarter for which the sluicegate price or levy was applicable.

LIVESTOCK • PRODUCTS

Ontario Sets Beef Calf Payments. In Canada, the Ontario Government has determined that payment of Can $72.19 per cow will be made to 12,100 cow-calf producers enrolled in the Ontario Beef Calf Income Stabilization Program. Under the program, producers are guaranteed a price of 50 cents per pound, based on 450-pound calves and an 85 percent calf crop.

After monitoring the September-November 1975 Ontario sales of stocker calves, the Government established that the weighted average market price was 29.82 cents per pound. The net payment per cow was arrived at by taking the deficiency from the price guarantee of $20.18 and multiplying this remainder by 85 percent of 450 pounds and subtracting a $5 premium to be paid by producers.

The program is being run initially on a 5-year basis. The 12,100 producers in the program have an estimated 312,850 beef cows, representing about 56 percent of all Ontario beef cows 2 years and older as of July 1, 1975. Therefore, the program wil cost the Ontario Government $22.6 million in the first year to compensate producers for low market prices in 1975.

COTTON

Nigeria To Omit Cotton Imports This Season. Nigeria, best U.S. cotton customer in Africa during 1974/75, will not be importing cotton in 1975/76. Following good crops last season and this season and large imports in 1974/75, supplies are more than sufficient to meet growing mill needs, which are estimated at 260,000 bales in 1975/76. Imports became necessary in 1974 because the small 1973/74 crop of 140,000 bales (ginned in early 1974) was not sufficient to meet mill demands. Imports in 1974/75 rose to 105,000 bales, a supply that was in excess of mill needs. The United States was the largest supplier, furnishing about 40,000 bales. High stocks, plus the big 1975/76 crop that is just beginning to be ginned, mean no cotton imports in 1976. Nigeria will likely hold supplies for domestic use rather than offer for export.

U.K. Cotton Consumption to Rise Moderately. The U.K. textile industry now believes the worst is over, echoing opinion of other West European industries that the severe textile recession of the past year has bottomed out. However, recovery in the United Kingdom is expected to be sluggish and the pace will be heavily dependent on wage guidelines to be negotiated next summer. Lower British prices have apparently helped textile exports, and postholiday domestic sales were reported very good, but the overall volume of retail sales is not expected to show appreciable gains, as higher prices for textile goods could make for consumer resistance.

Mill activity was reported up slightly since November but was still far short of capacity. In mid-January, employment was down 10 percent from that of a year earlier. Mill activity is currently estimated to rise 8-10 percent by July, with raw cotton consumption estimated to be up 6 percent this season to 560,000 bales—about equal to 1973/74 mill consumption. With raw cotton stocks at low levels, net 1975/76 imports could rise over 25 percent to around 585,000 bales.

OILSEEDS • PRODUCTS

Castorbean Production and Trade To Increase. World castorbean production during 1975 is estimated at 836,000 metric tons. The 1974 world harvest was 1.1 million tons. The 1976 forecast is for about 850,000 tons.

World castorseed and oil exports in 1975 are estimated to have dropped to 152,000 tons (oil basis), down 69,000 tons from those of 1974. Exports in 1976 should recover and are forecast to reach about 200,000 tons.

Peru's Early January Fishing Improves. Fishing conditions in Peru were improving in early January, and an exploratory catch has been authorized from Ilo to Supe. However, water temperatures are still below normal. From January 5 through 7 the anchovy catch totaled more than 23,000 tons. An average 170 boats were in use, considerably below the 700-800 boats normally used in full-scale operation.

Sri Lanka's Copra Production Up. Copra production in Sri Lanka during 1975 is tentatively estimated at 200,000 metric tons, aproaching the predrought level of 1972 when production reached 255,000 tons. The Government plans to maintain copra production at about the 1972 level and has established programs to replace low-yielding coconut trees with better yielding varieties and to issue fertilizer to coconut growers under a subsidy scheme.

Sri Lanka ranks third among the major producer-exporters of copra and coconut oil, following the Philippines and Indonesia. Coconut oil is the major edible oil consumed in Sri Lanka, along with minor quantities of oil produced from indiganous and imported peanuts, cottonseed, sesame, and rapeseed. To insure an adequate supply of coconut oil for the domestic market, copra exports are curtailed sharply in years when copra production declines, as happened in 1973 and 1974.

During 1973/74, exports were confined almost exclusively to coconut oil, owing to decreased supplies of copra. Although weather conditions improved considerably in 1974, promising a recovery in output in 1975, the recovery was well below expectations. Exports in 1975 (oil equivalent basis) are estimated at 25,000 tons, compared with 26,000 tons in 1974, 18,000 tons in 1973, and 87,000 tons in 1972. Important markets for copra and coconut oil include the USSR, Pakistan, Italy, the People's Republic of China, the German Democratic Republic, and the United Kingdom.

Imports of oilseeds and oils into Sri Lanka are confined to small shipments of rapeseed, peanuts, palm oil, and palm kernel oil for edible use, and linseed and castor oil for industrial use.

FRUIT • NUTS • VEGETABLES

Spain Harvests Smaller Dried Fruit Crops. Revised estimates indicate 1975 Spanish dried fruit production totaled 7,100 metric tons, 15 percent below the 1974 total of 8,400 tons. Raisin production is estimated at 3,000 tons of malagas and 800 tons of denias, compared with 4,000 tons and 700 tons, respectively, in 1974. Fig production is estimated at 2,800 tons, 7 percent below the 1974 level of 3,000 tons. Apricot production is estimated at 500 tons, 29 percent below the 1974 level.

Current season exports are anticipated to be smaller than last season's level of 3,995 tons. Forecasts indicate 1975/76 exports of 1,300 tons of raisins, 400 tons of apricots, and 2,100 tons of figs and fig paste. Europe is the major export market for Spanish raisins and apricots. Venezuela and Norway are the major fig markets and the United States is the major market for fig paste.

Greece's Canned Fruit Pack Down. Greece reports a smaller 1975 canned deciduous fruit pack. Production is estimated at 3.7 million cases (24/2½), 11 percent below the 1974 pack of 4.2 million cases. The 1975 peach pack is estimated at 2.2 million cases. A much larger proportion of the pack (about 44 percent) consisted of clingstone varieties. Many freestones, which would have been canned in earlier years, were exported fresh to the EC, where production was damaged by spring frosts. Total 1974 canned peach production was slightly larger at 2.3 million cases. The 1975 canned apricot pack is estimated at 1.4 million cases, 12 percent below the 1974 pack of 1.6 million cases. Production of other fruits is estimated at 590,000 cases.

Greece has become a major supplier of canned fruit to the EC in recent years, going from 1.4 million cases in 1970 to 3.3 million in 1974. During this period, exports of Greek canned peaches have increased most dramatically in the West German market, where they climbed from 14 percent to 44 percent of German imports.

Turkey's Dried Fig Crop Estimate Revised. Turkey's 1975 dried fig crop estimate has been revised to 45,000 metric tons, slightly above the 1974 crop of 42,500 tons. Unfavorable weather plus disease and scale damage in some locations increased the percentage of industrial-quality figs.

Exports of 33,000 tons—about the same level as in the previous season—are anticipated during 1975/76. In the 1974/75 season, Turkey exported 27,400 tons of dried figs, 4,300 tons of fig paste, and 1,800 tons of industrial figs. France, Iran, and West Germany were the leading markets for dried figs. The United States and the United Kingdom were the largest markets for fig paste, and Austria was the largest buyer of industrial figs.

Panama, United Brands Sign Banana Pact. The Panamanian Government and United Brands have signed a new agreement concerning banana production in Panama. A joint statement says, in part:

"The arrangements will function through three principal contracts, the first covering the sale of all lands currently owned by the United Brands banana divisions in Panama. These total approximately 100,000 acres.

"Under a second agreement, the Government has leased back to the company approximately 37,500 acres for the maintenance of current banana production. The Government also has an exclusive option to purchase the facilities still owned by the company.

"A third agreement covers operations and runs concurrently with the leaseback of banana production lands, which carries a term of 5 years, renewable annually for a like term. The company has also agreed to maintain production at a minimum of 22 million boxes per year and to review all long-range policy matters with the Government."

Australian Pineapple Production Smaller. Fresh pineapple output in Australia during 1975 is estimated at 95,000 tons, down by 17 and 25 percent from the 1974 and 1973 crops, respectively. Poor weather was the main factor. About 85,000 tons of the 1975 harvest were sold to processors, compared with 105,000 tons in 1974.

Minimum grower prices are set by the Fruit Industry Concession Committee. However, actual prices received by growers are higher than the minimum. The price scheme of the Queensland industry is based on whether the product moves to the export or domestic market. Preliminary 1974 grower prices for pineapples destined for domestic and export markets were set at about $82.50 and $54.30 per ton, respectitvely.

The 1975 canned pineapple output was placed at 1.4 million cases (45 pounds per case), compared with 1.82 million cases in 1974. In addition to the smaller harvest, this lower output was attributed to poor fruit utilization resulting from disease.

Exports continue on a downward trend, while domestic consumption is likely to continue increasing because prices of canned deciduous fruit are higher than those for pineapple.

Over the next few years, the outlook for the Australian pineapple industry is for slight growth, primarily geared to domestic demand. The export market will continue to play a minor role because of the competitive advantages of other producing countries.

Other Foreign Agriculture Publications

- 1976 World Fats and Oils Output Forecast at 48.6 Million Tons (FOP 8-75)
- World Sugar Output in 1975/76 6 Percent Above That of 1974/75 (FS 3-75)
- 1976 World Milk Output Expected Slightly Up; Nonfat Dry Milk in Surplus (FD 9-75)
- World Tobacco Production Set Another Record in 1975 (FT 6-75)
- World Trade in Red Meats in 1974 (FLM 12-75)
- World Poultry Meat Production Expanding But Egg Production Remains Uncertain (FPE 1-76)
- Increased Meat Production in 1976 Forecast for Four Key Markets (FLM 1-76)
- U.S. Livestock Trade in November Up 9 Percent From Year-Ago Level (FLM MT 1-76)

Single copies may be obtained free from the Foreign Agricultural Service, USDA, Washington, D.C. 20250, Rm. 5918-S; Tel. 202-447-7937.

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East Europe Import Growth

Continued from page 7

will not be easy: Export more, import and/or consume less, work harder and more efficiently, or—if deficits are unavoidable—rely more heavily on foreign credits.

Among the unknowns are potentials for saving in the sphere of military spending and foreign aid. Revenue increases may also be obtained eventually by catering to more tourists, particularly Soviet tourists—still largely an unexploited market.

What actions the East European nations will take, however, remain largely a mystery. For even though 1976 begins a new 5-year plan period in Eastern Europe, little has yet been published on economic goals for the next 5 years. This slowness to publish indicates major problems for planners having to deal with the realities of mounting inflation and trade deficits while also hoping to satisfy rising consumer expectations.

Until the countries chart new economic courses, their import needs cannot be assessed accurately. (Only Poland has made trade forecasts available to the United States; these call for the import of 3-4 million tons of grain annually during 1976-80, including the 2.5 million a year coming from the United States.)

As of November 30, Eastern Europe had imported 2 million tons of grain and contracted for 3 million additional tons for delivery in fiscal 1976, with East Germany and Poland the major purchasers. The total commitment includes 2.2 million tons of wheat and 2.8 million of corn.

Energy's direct impact on agricultural production is expected to be minor. Direct energy use for agriculture is still well below that for Western nations, totaling less than 4 percent of all energy use in Poland and Yugoslavia, where small-scale enterprises predominate. In East Germany, where mechanization is highest, 8 percent of energy is used in agriculture.

Indirect use of energy—in the form of fertilizer and plant protection agents—is considerable but not likely to be reduced substantially.

Price increases on farm inputs, however, will apparently be charged to the farmers in the future, whereas in the past they were absorbed by the State budget.

Hungary has announced plans to increase prices of fertilizer 20 percent and those of plant protective agents 25 percent, with partially offsetting boosts in producer prices for selected crops. (Feedgrain prices have been lifted 5 percent.) In November 1975, Hungary also announced a 50 percent increase in the retail price of sugar effective December 1, 1975, and a 30 percent rise in meat prices to begin July 1, 1976.

East Germany has announced reductions in 1976 producer prices for hog and poultry enterprises but increases for cattle, pulses, and grains except oats. This action will hurt the profitability of hog and poultry production—possibly dampening demand for grain and oilseed imports—while lessening the State outlay for retail price subsidies.

Trade Group Sets Notification Plan

GENEVA—The Multilateral Trade Negotiations' Agriculture Group has agreed to a procedure of "information, examination, and dialogue" whereby member countries will notify the MTN Secretariat of specific tariff and nontariff barriers affecting trade in commodities other than grain, meat, and dairy products.

The group, which met in mid-December, also agreed that bilateral consultations between the countries involved would follow such notification.

This agreement will permit countries to have detailed talks to lay the groundwork for future negotiations affecting farm products without prejudice to the question of where such negotiations may arise (i.e., whether in connection with the Tariffs Group, Nontariff Measures Group, or elsewhere).

The United States agreed to this procedure with the understanding that the results of all consultations will be communicated to all other relevant MTN groups and subgroups, and that there will be liaison between all MTN groups.

*U.S. GOVERNMENT PRINTING OFFICE:1976 211-407/29 1-3